



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

May 5, 2005

Limited Internal Control and Compliance Review Management Report

Ray Minor, Executive Director
Mississippi Workers' Compensation Commission
P. O. Box 5300
Jackson, Mississippi 39296-5300

Dear Mr. Minor:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Workers' Compensation Commission for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Workers' Compensation Commission:

1. Prepare and approve purchase orders prior to the ordering of goods and services; and
2. Document the date of receipt of goods or services and invoices.

Please review the recommendations and submit a plan to implement them by May 26, 2005. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Workers' Compensation Commission to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Workers' Compensation Commission throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, which appears to read "Phil Bryant", is written over the word "Sincerely".

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Workers' Compensation Commission for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Vicki Alvey, and Yulanda Wesley.

The fieldwork for review procedures and tests was completed on March 8, 2005. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

In performing our review, we noted instances of noncompliance that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Purchase Orders Should Be Prepared and Approved Prior to the Ordering of Goods and Services

Finding:

During expenditure testwork at the Mississippi Workers' Compensation Commission, we noted two instances out of 13 items tested which required purchase orders, or 15 percent, in which the purchase orders were prepared after the goods or services were received. Section 7-7-23, Miss. Code Ann. (1972), requires purchases of equipment, supplies, materials or services of whatever kind or nature may be made only by written purchase orders duly signed by the official authorized to do so. It further requires that it shall be the duty of the proper official in each department or agency to forward a copy of each purchase order to the Department of Finance and Administration on the same day the said order is issued. Failure to comply with state law impedes the agency's and the Department of Finance and Administration's ability to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi Workers' Compensation Commission comply with state purchasing laws by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Date of Receipt of Goods or Services and Invoices Should Be Documented

Finding:

The Mississippi Workers' Compensation Commission's practice is to document the receipt of goods or services by including the signature and date of the person receiving the goods or services on the invoice and to date stamp the invoice. Testwork performed on 24 expenditures revealed the following:

- Four instances, or 16 percent, in which the invoice documented the signature of the person verifying the receipt of goods or services; however, the person did not document the date the agency received the goods or services on the invoice.

- Two instances, or 8 percent, in which the invoice was not date stamped documenting the date received.
- One instance, or 4 percent, in which the signature and date of the person receiving the goods or services was not documented on the invoice.

Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the date of receipt of the invoice and dates of receipt, inspection and approval of the goods or services. In addition, the section requires payments to be made to a vendor within 45 days after receipt of the invoice and receipt, inspection and approval of goods or services. Failure to comply with state law could result in payment for goods or services not yet received and could result in the agency incurring costs through interest penalties prescribed by Section 31-7-305, Miss. Code Ann. (1972), for payments made 45 days after receipt of the invoice and receipt of goods or services.

Recommendation:

We recommend the Mississippi Workers' Compensation Commission strengthen procedures to ensure compliance with state law by requiring persons receiving goods or services to sign and date invoices or other documentation to indicate proper receipt of the goods or services prior to the disbursement of funds. We further recommend the agency document the date of receipt of the invoice on the invoice.